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New Zealand

Grain and Feed

Wheat Production and Trade

2002

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Report Highlights: New Zealand flour millers and poultry feed producers are now considering U.S. wheat to meet their import needs due to an insecure supply situation resulting from the Australian drought. Major potential buyers identified in this report seek to establish lines of communication with U.S. exporters.

Includes PSD changes: No
Includes Trade Matrix: Yes
Unscheduled Report
Wellington [NZ1], NZ

Production

New Zealand's 2003 wheat crop is estimated at 340,000 tons, down from 355,000 tons a year earlier. Although the harvest is likely to be similar to last year's in tonnage terms, production of milling wheat is expected to increase noticeably while feed grade wheat supplies will fall short of last year. Nearly all of the country's wheat is cultivated in the South Island. The wheat harvest normally runs from mid-January through early March in the Canterbury plains or until late March in the Southland area. The 2002 harvest was impacted by late season rains which delayed the initiation of haresting activity until February. This precipitation increased average crop yield and overall wheat output, but lowered crop quality and resulted in additional volumes of milling variety wheat being utilized for animal feed.

This year's growing conditions have been ideal to date. Most wheat is grown under contract with millers or feed compounders. The average contract price for milling grade wheat this year is estimated at about NZ $330 - 340 (U.S. $165 - 170) per ton, about $10-15 per ton above a year ago. In contrast, feed wheat prices for the upcoming harvest are expected to average close to the NZ $290 per ton figure of a year ago. Growers responded to the higher contract prices offered by millers by shifting a portion of their planted wheat area from feed to milling varieties. Total planted wheat area, however, is not likely to show a dramatic increase over last year. Most of New Zealand's winter wheat crop, which accounts for about 50 percent of the country's total wheat harvest, was planted in April/May when the local industry was still anticipating normal growing conditions in Australia. When the spring wheat crop was planted in September, growers responded to a growing awareness of the Australian drought by increasing planted area somewhat and by cultivating a larger portion of their wheat crop without production contracts in order to take advantage of an anticipated rise in wheat prices.

New Zealand's wheat production is estimated as follows:

Year	Feed Wheat	Milling Wheat	Total Wheat
2001	215,000 tons	150,000 tons	365,000 tons
2002	265,000 tons	90,000 tons	355,000 tons
2003	220,000 tons	120,000 tons	340,000 tons

Consumption

Total annual wheat flour consumption in New Zealand is estimated at about 230,000 - 240,000 tons which translates to about 300,000 - 310,000 tons of wheat grain equivalent. Approximately 70 percent of New Zealand's wheat milling capacity is located in the North Island, reflecting the country's population pattern and, therefore, national baking demand for wheat flour. North Island millers rely primarily on imported wheat to meet their milling requirements given that wheat enters the country duty free and the transport cost from Australia to Auckland is similar to moving grain from the South Island to the North Island. The locally-grown wheat crop usually proves adequate to meet the grain requirments of the milling industry situated in the South Island.

Approximately 90 percent of all wheat utilized for animal feed production in New Zealand is directed to the output of poultry feed rations, with most of the balance used for pigs, dairy, and horses. While wheat milling volumes for making flour have been fairly stable in recent years, animal feed demand for wheat has trended upward markedly. This reflects changing meat consumption patterns. Chicken is now the leading meat consumed in New Zealand, having overtaken lamb and beef which utilize pasture-based production systems. Per capita consumption of chicken increased to a record 31 kilograms in 2001 compared to only 1 kilogram in the late 1960's. Demand for feed wheat in New Zealand focuses upon Northern Roller Mills (NRM) and Inghams Enterprises, the country's two largest vertically integrated broiler producers.

U.S. Export Sales Opportunity

New Zealand's Ministry of Agriculture and Forestry (MAF) has developed import health standards for wheat grain grown only in Australia, Canada, and the United States. Without an import health standard for regulatory guidance, importers may not turn to wheat grown in any other country. At present, the Government is actively working on the development of a generic wheat import health standard which would apply to all countries other than the 3 identified above. MAF officials hope to release this import health standard by late 2002/early 2003, with the goal of aligning it within a year with the wheat import health standards utilized for the other 3 countries.

Official trade data show total New Zealand wheat imports, including grain used in both flour milling and animal feed production, as follows:

Year	Australia	Canada	U.S.	Total
1999	140,000 tons	55,000 tons	11,000 tons	206,000 tons
2000	163,000 tons	36,000 tons	0	199,000 tons
2001	224,000 tons	53,000 tons	0	277,000 tons

As shown by the table above, New Zealand normally secures its wheat import requirements from the Australian Wheat Board (AWB) and to a lesser extent from the Canadian Wheat Board (CWB). The CWB normally supplies the milling industry with high protein wheat needed in making frozen dough products and baking flour for producing hamburger buns for the fast food industry (largely McDonalds). It's likely that millers have supply commitments from the CWB to meet their high protein wheat import needs until mid-2003, but most do not have their lower protein wheat imports secured beyond the next 3 months. Ongoing discussion between New Zealand wheat millers and the AWB reportedly now include the possibility of non-Australian wheat being delivered under existing or new supply contracts. Like New Zealand's wheat millers, poultry feed manufacturers are eager to initiate discussions with U.S. exporters since their overseas supply commitments may not extend beyond the next 2 - 3 months.

New Zealand importers often comment that U.S. wheat tends to be priced competitively with Australia on a fob basis but not so on a cif basis due to differences in freight costs. Wheat shipments from Australia and Canada often arrive in lots of no more than 20,000 tons reflecting relatively modest industry processing levels and storage capacities. In order to achieve lower transport costs associated with larger shipping volumes, FAS Wellington has discussed with both wheat millers and feed manufacturers the possibility of co-sharing an import purchase from the United States. The industry is familiar with this purchasing and shipping strategy and many managers of wheat mills have good working relationships with poultry feed producers.

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